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C O N F I D E N T I A L JERUSALEM 001943

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NEA/IPA FOR HOLMSTROM/SACHAR/LENTZ; EEB/IFD/OIA FOR  
CULLINANE; R FOR MCDANIEL; TREASURY FOR AHERN  
DEPT PLEASE PASS TO OPIC FOR VP ROBERT DRUMHELLER

E.O. 12958: DECL: 10/21/2018  
TAGS: [ECON](#) [EFIN](#) [EINV](#) [KWBG](#) [IS](#)  
SUBJECT: OPIC'S PLAN FOR AFFORDABLE MORTGAGES IN THE WEST  
BANK

REF: JERUSALEM 350

Classified By: Consul General Jake Walles, for reasons 1.4b and d

¶1. (SBU) Summary: Following positive meetings with Palestinian and international partners on October 19-21, Overseas Private Investment Corporation (OPIC) VP Robert Drumheller reports solid progress on the affordable mortgage finance initiative, announced by President Abbas and OPIC CEO Mosbacher on April 14. OPIC is on track to have the project operational as planned by mid-2009, to complement two large-scale housing/community projects in the West Bank. End summary.

¶2. (SBU) OPIC VP Robert Drumheller and Investment Analyst Maria Goravanchi visited Jerusalem and Ramallah October 19-21 to continue work on a USD 515 million mortgage finance facility. OPIC's partners include the International Finance Corporation (IFC), the Palestine Investment Fund (PIF), Bank of Palestine (BOP), Cairo Amman Bank, and the UK's Department for International Development (DFID) (reftel). The participating organizations will create the Affordable Mortgage and Loan Corporation (AMAL). AMAL will generate the loans, but remain invisible at the retail level, and the BOP and Cairo Amman Bank will interface directly with customers. AMAL will offer Palestinians two products: a 25-year fixed rate loan, and 25-year adjustable rate loan which resets every five years.

¶3. (SBU) OPIC plans to issue the first loan in 2009 to coincide with the start of two large affordable housing projects in the West Bank undertaken by PIF and Bayti Real Estate Investment Co. (Note: PIF estimates the housing shortfall in the West Bank is 200,000 units and will increase by ten percent annually. To address the need, PIF will construct 2,000 affordable units in Ramallah. In partnership with Qatari Diar Real Estate Investment Co., Bayti has designed a fully self-contained town called "Rawabi," located nine km north of Ramallah, and plans to break ground in 2009. Rawabi will offer 5,000 housing units. The Rawabi deal was the centerpiece of the Bethlehem Investment Conference in May. End Note.)

¶4. (SBU) VP Drumheller reports that much work remains to be done before the first loans can be issued, but is comfortable with the pace of progress with OPIC's partners. OPIC is currently focused on two issues. First, IFC and OPIC require a minimum USD 20m of first loss coverage, and need DFID to commit in writing to provide the full amount. (Note: OPIC states it does not need the cash in hand until the end of 2009, but needs a written commitment before the end of 2008. End note.)

¶5. (C) OPIC also needs to secure a Palestinian Presidential

Decree invalidating an Ottoman-era law which stipulates that the total amount of interest on a loan cannot exceed the original amount of the loan, thereby making a 25-year loan impossible. The law also caps the amount of interest at nine percent, which could prohibit banks from penalizing delinquent borrowers. (Note: The nine percent clause is reportedly routinely ignored by local banks; however, it could provide the basis of a lawsuit if left on the books. End note.) PMA Governor Jihad al-Wazir told Econoff on October 21 that the PMA supports repealing the law and will consult with PIF on the precise language of the needed draft decree.

16. (U) OPIC has cleared this message.  
WALLES